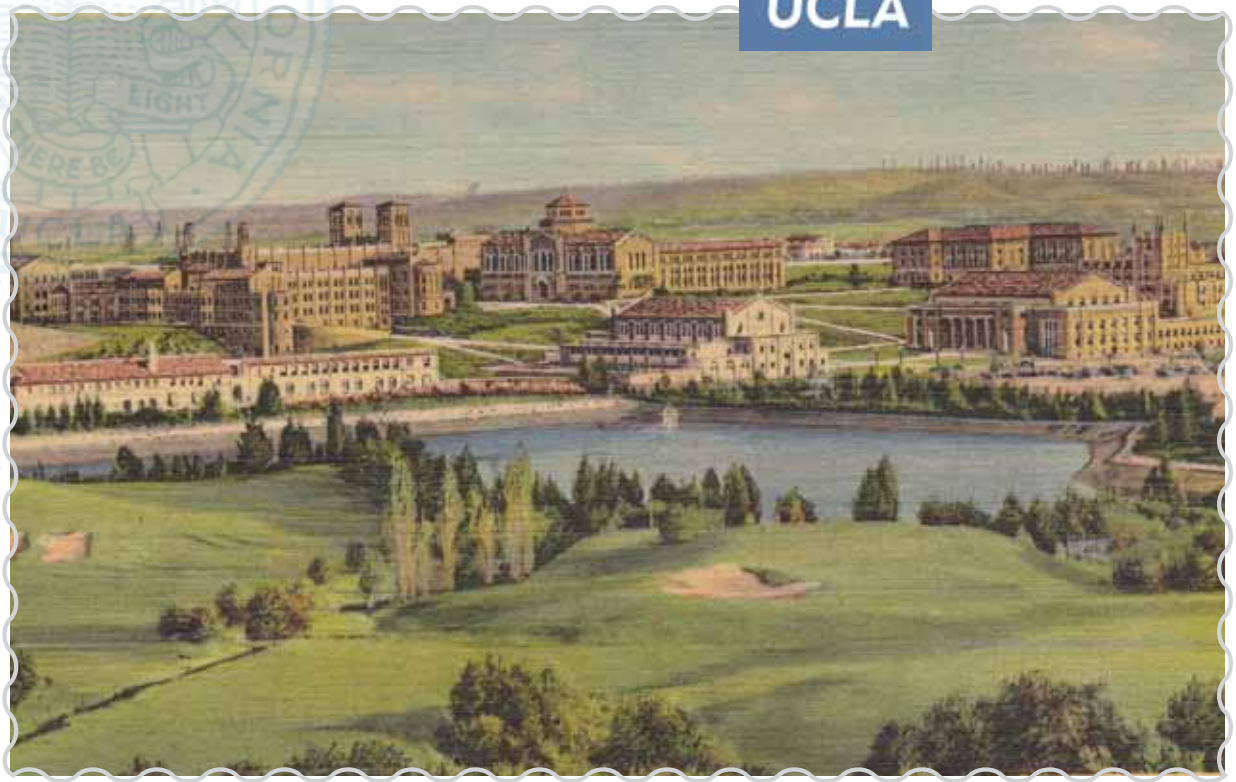
UCLA

2010 - 2011

ANNUAL FINANCIAL REPORT



University of California, Los Angeles, Westwood Hills, c.1933.
Photo courtesy of UCLA University Archives, Los Angeles, CA

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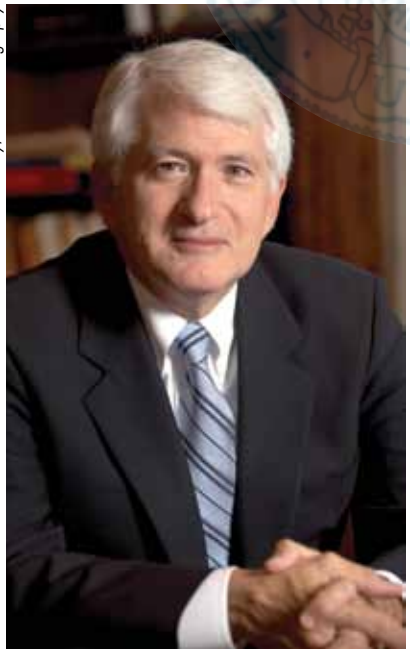
Letter from Chancellor Gene D. Block



Todd Ceney/UCLA Photography

As we look back at the 2010-11 fiscal year, the UCLA campus community can celebrate numerous extraordinary accomplishments from all corners of our institution, even as the university faced a deepening challenge due to the troubling California financial climate.

These accomplishments were realized during a year in which UCLA continued to feel the impact of the economic downturn, especially due to the loss of state funding. State educational appropriations fell to $481 million in 2010-11 from $601 million in fiscal year 2009-10, a reduction of 20 percent. At the same time, the campus absorbed increases in employee salaries and benefits, and other mandatory costs not funded by the state.

The campus has responded vigorously to these challenges. Short-term measures to reduce our operating expenses have been followed by longer-term structural changes to reduce our overall reliance on state funding. The Regents of the University of California have increased tuition significantly, but we have maintained our commitment to access by increasing need-based financial aid.

We are managing our cash resources more effectively, modernizing the management of the UCLA Foundation's endowment and streamlining our business processes. On the academic side, we are streamlining majors, reducing unnecessary courses and continuing to make improvements that enhance students' progress toward their degrees. Taken together, these steps will help protect our overall academic quality from the worst impacts of the state funding reductions.

UCLA received more than $1 billion in competitively awarded research grants and contracts for the second consec-

utive year — an outstanding feat. Multimillion-dollar grants were awarded to create state-of-the-art labs to study sustainable energy and environmental engineering; to develop medical responses in case of radiological or nuclear attacks; and to fund a multidisciplinary partnership — which also includes the Los Angeles Unified School District — that will improve and advance computer science instruction in high schools.

During the past year, numerous UCLA faculty were recognized for outstanding scholarly achievement. Among their many prestigious honors, three were elected to the National Academy of Sciences, three were elected to the American Academy of Arts and Sciences, four received Guggenheim Fellowships and one earned a Sloan Research Fellowship. In addition, at least 10 faculty members were appointed by the Obama administration to presidential commissions, boards, advisory groups and other key positions.

In a stirring example of the advances taking shape here, in March, the Ronald Reagan UCLA Medical Center became the first facility in the West — and only the fourth in the U.S. — to perform a hand transplant. The Medical Center continued its more than two-decades-long streak of being named "Best in the West" in *U.S. News & World Report*'s annual survey.

We enjoyed another record-breaking year in admissions, with a total of more than 81,200 applications. More than 19,700 prospective transfer students applied, and we admitted about 5,400 for about 3,200 places. From the more than 61,500 high school seniors who applied, we admitted 15,700 for about 5,900 places in the largest-ever freshman class at UCLA.

"The growing geographic diversity of our students, a sign of UCLA's strong national and international reputation, enlivens our campus community and provides much-needed resources."

Even during this time of constrained budgets and shrinking state resources, we determined that it was critical to provide as many state residents as possible with access to the world-class education that UCLA offers. Therefore, we increased our enrollment of nonresident undergraduates while maintaining historically high numbers of California resident students. The growing geographic diversity of our students, a sign of UCLA's strong national and international reputation, enlivens our campus community and provides much-needed resources.

Highlighting the year in athletics, our women's golf team earned its third national championship and UCLA's 107th NCAA title overall. The victory continued an astounding streak during which we have won at least one national championship in a team sport each year since 1995. Bruin student-athletes excelled across the board again in 2010-11, with several teams concluding their seasons ranked among the best in the NCAA.

As UCLA continued to grow, the face of our campus continued to evolve in exciting

ways. In October 2010, we opened the Terasaki Life Sciences Building and held the groundbreaking for the Edie & Lew Wasserman Building, which is scheduled to open in 2014 at the Jules Stein Eye Institute. The renovation of Pauley Pavilion continued on target toward its reopening in 2012.

Three students were chosen to receive this year's Charles E. Young Humanitarian Awards for their outstanding service to the community. Jonathan Ditty, with the help of UCLA medical students and local podiatrists, organized clinics to provide foot care for homeless people; Gabriel Gomez worked with the Senior Buddies program of Pilipinos for Community Health at UCLA, organizing visits to senior citizens; and Andrew Kaddis was recognized for his efforts with the Bruin Guardian Scholars Program, a student-run organization that brings foster youth to UCLA to teach them about college preparedness.

We presented UCLA Awards to five distinguished alumni for their service to UCLA, their professions, our communities, California and society. The honorees were Madelyn Alfano '80; Stephen Arditti '64, J.D. '67; Rita Rothman '70; Art Spander '60; and Vinton Cerf M.S. '70, Ph.D. '72, who received the Edward A. Dickson Alumnus of the Year Award.

Our alumni, as well as our friends and community, helped ensure great confidence in UCLA's future during the past year. Private giving to UCLA totaled more than $479 million, far surpassing the $379 million we received in 2009-10. We are fortunate to be the beneficiaries of such wonderful and widespread support, but two landmark gifts bear special mention. The Lincy Foundation transferred approximately $200 million to UCLA to create the Dream Fund, which is being used to establish $20 million in new, merit-based scholarships for undergraduates with demonstrated financial need, as well as research and academic programs, and initiatives beyond our campus.

A transformative gift of $100 million from alumni Meyer and Renee Luskin endowed the Luskin School of Public Affairs, and will help construct an academic conference center and provide support for UCLA-sponsored conferences and a range of other programs.

Buoyed by the support of parents, alumni and friends in Los Angeles and around the world, our faculty and students added immeasurably to the UCLA legacy this year through their scholarship and citizenship.

Gene D. Block
Chancellor

UNIVERSITY OF CALIFORNIA, *LOS ANGELES*

CAMPUS AND FINANCIAL HIGHLIGHTS

At June 30, 2011 and 2010 *(in thousands of dollars)*

	2011	2010
CAMPUS LAND AREA	419 acres	419 acres
ENROLLMENT - FALL QUARTER		
Undergraduates	26,162	26,690
Graduates, and Interns and Residents	13,431	13,301
EMPLOYEE COUNT		
Full-Time Equivalent (includes over 7,000 casuals and students)	29,923	29,348
NET ASSETS:		
Beginning of Year	$ 5,601,758	$ 5,145,222
End of Year	$ 6,255,026	$ 5,601,758
ASSETS:		
Total Current Assets	$ 3,175,935	$ 2,765,192
Total Noncurrent Assets	5,009,475	4,803,244
	$ 8,185,410	$ 7,568,436
LIABILITIES:		
Total Current Liabilities	$ 891,753	$ 875,559
Total Noncurrent Liabilities	1,038,631	1,091,119
	$ 1,930,384	$ 1,966,678
REVENUE:		
Operating Revenue	$ 4,261,789	$ 3,921,863
Nonoperating Revenue (Core Activities)	798,812	892,131
	$ 5,060,601	$ 4,813,994
Principal Sources of Operating Revenue:		
Student Tuition and Fees	*$ 503,072*	*$ 445,373*
Grants and Contracts	*$ 950,951*	*$ 921,477*
Sales and Services	*$ 2,753,407*	*$ 2,502,590*
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	*$ 479,790*	*$ 601,155*
EXPENDITURES:		
Operating Expense	$ 4,563,334	$ 4,307,078
Nonoperating Expense (Core Activities)	125,894	91,252
	$ 4,689,228	$ 4,398,330
Principal Operating Expenditures:		
Salaries and Wages	*$ 2,369,612*	*$ 2,278,595*
Benefits	*$ 613,749*	*$ 503,018*
Supplies and Materials	*$ 479,763*	*$ 460,137*
Other Operating Expenditures	*$ 727,703*	*$ 725,120*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to give readers an overview of the financial position and operating activities of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2011, with selected comparative information for the year ended June 30, 2010. This discussion should be read in conjunction with the financial statements and the accompanying notes.

USING THIS ANNUAL REPORT

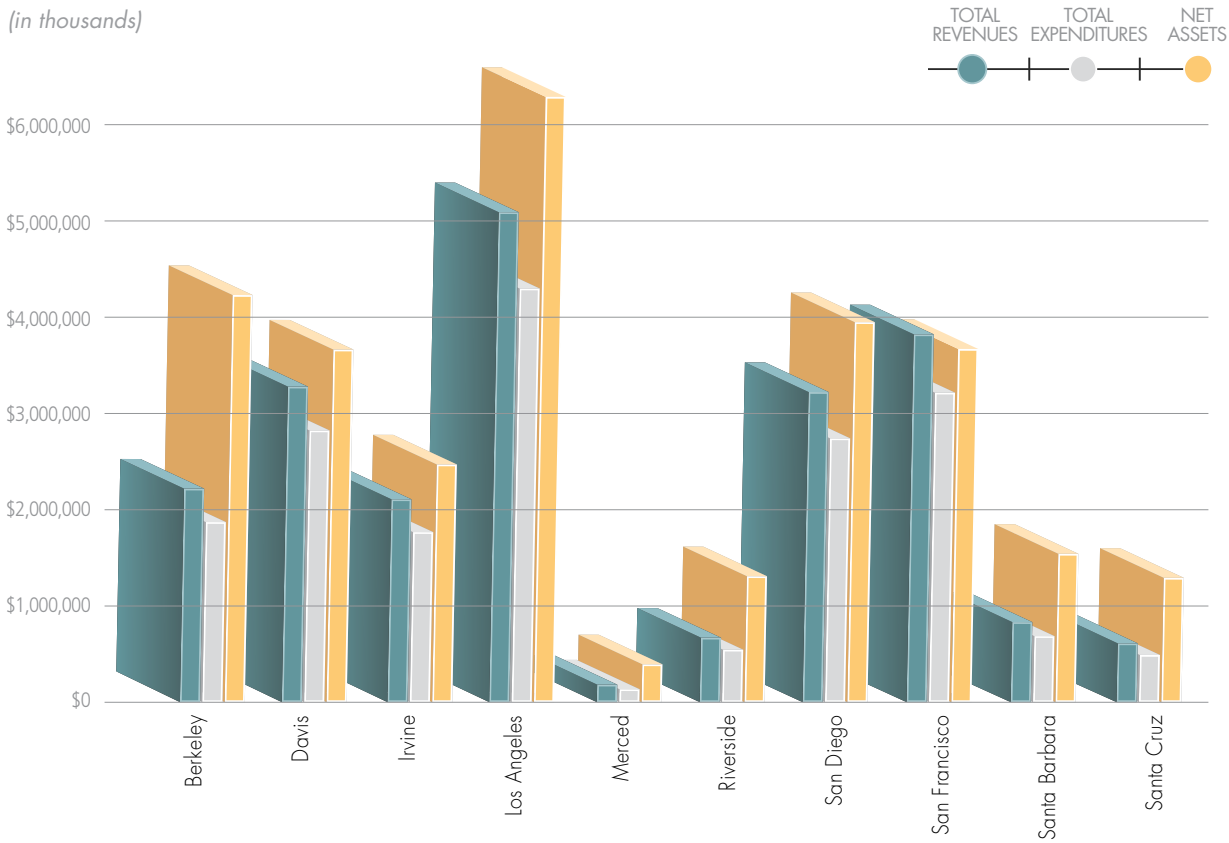
UCLA is one of 10 campuses within the University of California system. The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB). The financial statements should be read in conjunction with management's discussion and the notes to the financial statements to gain a more complete understanding of the university's financial position. The three basic financial statements in this report — the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows — encompass the UCLA campus and its discretely presented component, The UCLA Foundation. However, the MD&A and the Notes to Financial Statements focus only on the campus; information relating to The UCLA Foundation can be found in its separately issued financial statements at https://www.uclafoundation.org.

THE UNIVERSITY OF CALIFORNIA

The University of California system (the University) is a public, state-supported institution. The University's financial statements for the University, the various campus foundations and the University of California Retirement System are presented as a discrete component of the state's general-purpose financial statements. The University encompasses 10 campuses, which include five medical schools and medical centers, three law schools and the statewide Division of Agricultural and Natural Resources. The University also operates and manages three national laboratories for the U.S. Department of Energy. The consolidated audited financial reports of the University of California are available at http://www.universityofcalifornia.edu/reportingtransparency/

The following chart reflects the current funds' revenues and expenditures and the total net assets of the various UC campuses for the 2010-11 fiscal year:

REVENUES, EXPENDITURES AND NET ASSETS – ALL CAMPUSES



THE LOS ANGELES CAMPUS OF THE UNIVERSITY OF CALIFORNIA

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget that exceeds $5 billion. The financial statements included in this annual report encompass the following:

Campus – The Los Angeles campus spans 419 acres in Westwood and is devoted to undergraduate and graduate scholarship serving almost 40,000 students in the following schools:

COLLEGE OF LETTERS AND SCIENCE

Humanities
Life Sciences
Physical Sciences
Social Sciences
Undergraduate Education

HEALTH SCIENCES PROGRAMS

David Geffen School of Medicine
School of Dentistry
School of Nursing
School of Public Health

PROFESSIONAL SCHOOLS

School of the Arts and Architecture
Graduate School of Education & Information Studies
Henry Samueli School of Engineering and Applied Science
School of Law
Anderson School of Management
Luskin School of Public Affairs
School of Theater, Film and Television

During the 2010-11 academic year, UCLA delivered more than 3,200 different undergraduate and graduate courses each quarter and supported more than 120,000 course enrollments per quarter in 160 different subject areas. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some are among the best in the world. Few universities offer the range and diversity of academic programs enjoyed by UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, healthcare costs and medical advances. More than 6,000 research projects are being conducted on campus at any given time. For 2011, UCLA expenditures for research exceeded $700 million. The current statistic from the National Science Foundation's Survey of Research and Development Expenditures at Universities and Colleges, published in October 2011 for the fiscal year 2009, shows that UCLA ranked fifth in expenditures in the Science and Engineering fields.

UCLA Extension offers the public more than 4,500 continuing education courses annually, covering professional and career development, academic enrichment and personal growth. These courses attract over 40,000 individual students from the many communities of Southern California and beyond.

UCLA employs approximately 30,000 faculty, administrators and staff (this includes casual and student employees) and spent $3 billion in compensation costs for the fiscal year ended June 30, 2011. UCLA's employees are distinguished for their contributions to education, research and public service. Nobel Prizes have been awarded to five faculty members, in chemistry, physics and medicine (and to six alumni, in economics and chemistry, with one alumnus receiving the Nobel Peace Prize in 1950). UCLA alumni include 12 Rhodes Scholars; faculty have received 10 National Medals of Science and one Fields Medal; and the Presidential Medal of Freedom has been given to three faculty and three alumni.

UCLA Live (performing arts), the Fowler Museum at UCLA, the UCLA Hammer Museum and the Geffen Playhouse make UCLA the leading arts and cultural center of the West, providing both academic programs and a wide array of public programming.

As of fall 2010, UCLA's on-campus physical plant included five on-campus buildings under construction, along with 194 existing buildings (including 14 parking structures and seven parking kiosks). Off campus, UCLA owns or manages 139 buildings (including three parking structures) and has 92 existing building leases for various programmatic activities. UCLA's buildings include 12 libraries, housing more than 9 million volumes; a cogeneration power plant; on-campus student housing for more than 10,000 students; off-campus student and faculty apartments; and more, including the UCLA Conference Center in Lake Arrowhead.

UCLA Health System – Comprised of Ronald Reagan UCLA Medical Center, Santa Monica-UCLA Medical Center and Orthopaedic Hospital, Resnick Neuropsychiatric Hospital at UCLA, Mattel Children's Hospital UCLA, and the UCLA Medical Group with its wide-reaching system of primary-care and specialty-care offices throughout the region, the UCLA Health System is among the most comprehensive and advanced healthcare systems in the world. It has been named the "Best Hospital in the West" by U.S. News & World Report for 22 consecutive years. The Medical Center is the primary teaching hospital for the David Geffen School of Medicine at UCLA. http://www.uclahealth.org/

ASUCLA – The Associated Students of UCLA (ASUCLA) operates the UCLA Store and oversees student activities for the Los Angeles campus pursuant to the Statement of Understanding of ASUCLA's Relationships with the University, dated June 28, 1974. ASUCLA's financial data, representing total revenue of $58 million for the fiscal year ended June 30, 2011, has also been included to reflect the total financial activity of the UCLA campus.

The UCLA Foundation – The Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. Contributions are held by the Foundation until such time as funds are needed and are then transferred to the campus; at which time, the campus records the gift as revenue. In accordance with GASB Statement No. 39, the Foundation's financial activity is discretely recorded on the campus' financial statements under a separate column titled "Foundation."

Retiree Health Benefits Trust – The University established the University of California Retiree Health Benefit Trust (UCRHBT) to allow certain University locations and affiliates, including the University of California, Los Angeles, to share the risks, rewards and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serves as Trustee of UCRHBT and has the authority to amend or terminate the Trust.

The UCRHBT provides retiree health benefits to retired employees of the campus. Contributions from the campus to the UCRHBT are effectively made to a cost-sharing single-employer health plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRHBT. As a result, the campus' required contributions are recognized as an expense in the statement of revenues, expenses and changes in net assets.

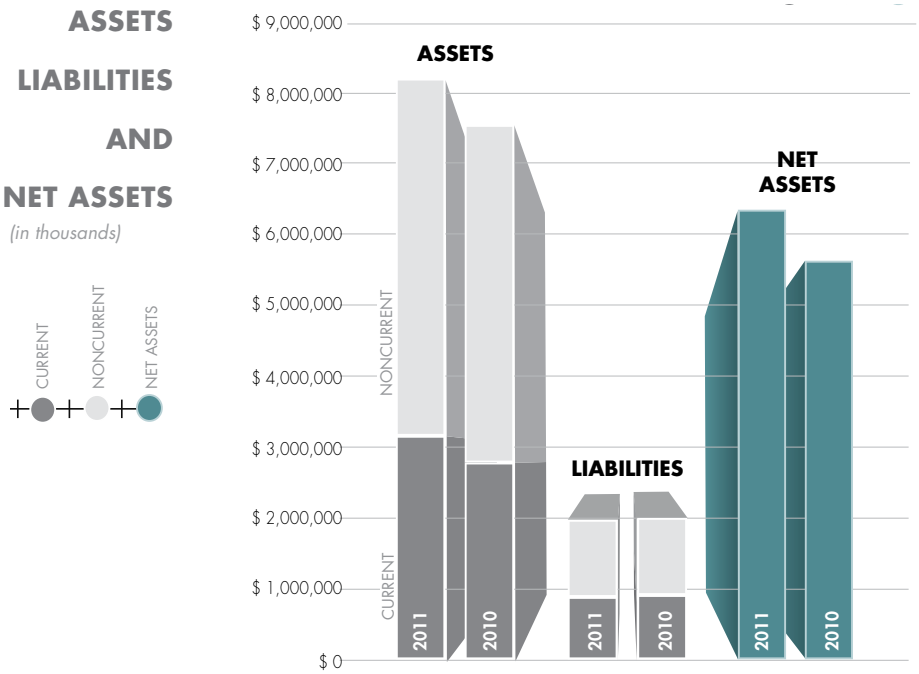
Retirement Plan – The University of California Retirement Plan (UCRP) provides retirement benefits to retired employees of the University of California, Los Angeles. Contributions from the campus to the UCRP are effectively made to a cost-sharing single-employer-defined benefit pension plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRP. As a result, the campus' required contributions, if any, are recognized as an expense in the statement of revenues, expenses and changes in net assets.

An Overview – While UCLA's financial information concerning assets, liabilities, revenues and core activity expenditures is discussed in further detail in the subsequent sections of the MD&A, the following table reflects the composition of UCLA for 2011, listing enrollment figures, full-time equivalent employee figures and operating expenses by organization.

(dollars in thousands)	Undergraduates	Graduates, Interns and Residents	Full-Time Equivalent (Includes Students)	Salaries and Wages	Other Expenditures	Total Expenditures
Organizations	**Fall Enrollment**		**Employees**	**Operating Expenses**		
College of Letters and Science	20,857	2,722	3,426	$ 252,728	$ 146,637	$ 399,365
School of the Arts and Architecture	901	395	483	32,323	18,845	51,168
School of Dentistry	-	516	406	32,636	24,560	57,196
School of Education & Information Studies	-	892	451	31,902	19,674	51,576
School of Engineering and Applied Science	3,285	1,781	859	65,228	52,429	117,657
School of Law	-	1,077	253	27,929	17,382	45,311
School of Management	-	1,867	391	46,034	31,210	77,244
School of Medicine	-	2,277	7,139	693,446	498,206	1,191,652
School of Nursing	238	348	195	14,302	8,686	22,988
School of Public Health	-	637	348	28,787	25,672	54,459
School of Public Affairs	-	480	142	12,356	5,860	18,216
School of Theater, Film and Television	366	388	256	17,222	10,596	27,818
Basic Biomedical Sciences	515	51	180	13,424	13,731	27,155
Neuropsychiatric Institute	-	-	653	60,186	49,411	109,597
Neuropsychiatric Hospital	-	-	274	27,941	14,829	42,770
Medical Center	-	-	7,321	619,800	815,934	1,435,734
University Extension	-	-	432	33,633	32,865	66,498
All Others	-	-	6,714	359,735	116,948	476,683
Subtotal Organizations	26,162	13,431	29,923	2,369,612	1,903,475	4,273,087
Depreciation Expense					270,561	270,561
Other Operational Expenditures					19,687	19,687
Total	26,162	13,431	29,923	$ 2,369,612	$ 2,193,723	$ 4,563,335

THE CAMPUS' FINANCIAL POSITION

The statement of net assets presents UCLA's financial position at the end of the fiscal year. It displays the assets and liabilities of the campus, accounted for on a local level. The difference between assets and liabilities is net assets, representing a measure of the current financial condition of the campus. At June 30, 2011, the campus' assets were $8.2 billion, liabilities were $2 billion and net assets were $6.3 billion, an increase of $653 million from 2010.



The major components of the assets, liabilities and net assets, compared with the prior year, are as follows:

(dollars in thousands)	2011	2010	Change
ASSETS			
Cash and short-term investments	$ 2,483,297	$ 2,066,995	$ 416,302
Accounts receivable, net	593,518	599,049	(5,531)
Capital assets, net	4,873,362	4,645,628	227,734
Other assets	235,233	256,764	(21,531)
Total assets	$ 8,185,410	$ 7,568,436	$ 616,974
LIABILITIES			
Current liabilities	$ 891,753	$ 875,559	$ 16,194
Long-term debt	832,254	855,502	(23,248)
Other noncurrent liabilities	206,377	235,617	(29,240)
Total liabilities	$ 1,930,384	$ 1,966,678	$ (36,294)
NET ASSETS			
Invested in capital assets, net of related debt	$ 4,016,362	$ 3,769,133	$ 247,229
Restricted - expendable	341,166	317,418	23,748
Unrestricted	1,897,498	1,515,207	382,291
Total net assets	$ 6,255,026	$ 5,601,758	$ 653,268

The Campus' Assets

Long-term investments, the campus' portion of pooled debt and the retirement system are accounted for on a systemwide basis through the Office of the President and are not reflected in UCLA's stand-alone financial statements. UCLA does participate in a temporary investment pool that is administered by the Office of the President. The balance in this pool is reflected as part of the campus' assets on UCLA's financial statements under cash and investments. These funds are primarily invested in U.S. Treasury securities, commercial paper and short-term corporate notes with cost approximating market value. The amount invested in this short-term investment pool at June 30, 2011, was $2.4 billion, an increase of $416 million from the previous year — of this increase, $192 million is attributed to the Medical Centers.

Accounts receivable decreased $5.5 million or 1% from 2010. The decrease consists of an increase in receivables from the state and federal governments of $5.6 million and a decrease in patient care receivables of $11 million.

Capital assets, net continues to increase in order to provide the facilities necessary to support UCLA's teaching, research and public service mission and for patient care. Additions to capital assets of $521 million included $283 million for construction-in-progress, principally the Medical Centers ($98 million), the Northwest Housing Infill ($71 million), Pauley Pavilion Renovation ($33 million) and Weyburn Terrance Graduate Student Housing ($31 million); $112 million for new buildings and improvements, notably the Medical Centers ($75 million), Hilgard graduate student housing ($17 million), and Drew Life Science Building ($10 million); $67 million for numerous small capital equipment purchases; and $29 million for intangible additions, principally for goodwill associated with the acquisition of Santa Monica Bay Physicians ($26 million) and multiple software purchases ($3 million).
Other assets include inventories ($40.4 million), pledges, notes and mortgages receivable ($97.5 million), derivative investments ($38 million) and other assets ($59.2 million).

The Campus' Liabilities

Campus liabilities decreased by $36 million or 1.9% to a total of $1.9 billion, in part as a result of principal payments on debt issued to finance capital expenditures for our healthcare facilities.

Current liabilities consist largely of accounts payable to vendors for goods and services, accrued compensation costs due to employees for services performed, deferred revenue and current portions of long-term debt. Overall accounts payable decreased primarily due to hospital construction costs paid in 2010 and not repeated in 2011. Accrued salaries and benefits increased $27.8 million, the majority attributed to timing differences for June salaries and unemployment insurance as well as increases in benefits premium rates. Deferred revenues increased $13 million, which included an increase in contract and grants ($6 million) and Auxiliary Enterprises deferred revenue ($3.4 million).

Long-term debt, used for capital expenditures, is financed by a variety of sources, including University equity contributions, federal and state support, revenue bonds, certificates of participation, bank loans and leases. Commercial paper provides interim financing. The campus' portion of pooled debt is accounted for on a University-wide basis and is excluded from these statements. UCLA debt decreased by $19.5 million due primarily to principal payments on capital lease obligations of $17 million.

Other noncurrent liabilities (including federal refundable loans of $57 million for 2011 and $56 million for 2010) decreased by $29.2 million in 2011. Employees used more vacation, reducing accrued vacation by $13.4 million. Derivative instruments, amounting to $38 million in 2011, decreased $14.7 million.

The Campus' Net Assets

Net assets represent the residual interest in the campus' assets after all liabilities are satisfied. During the year, the campus' net assets increased by $653 million, bringing the year-end total to $6.3 billion.

The portion of net assets invested in capital assets — net of accumulated depreciation and related outstanding debt used to finance the acquisition, construction or improvement of these capital assets — is $4 billion in 2011, an increase of $247 million over 2010 mainly due to building improvements and construction in progress for such projects as the North West Student Housing Infill project, the Pauley Pavilion renovation and the Santa Monica Replacement Hospital.

The campus reflects a zero balance in restricted nonexpendable net assets, as endowments and charitable remainder trusts are accounted for on a UC systemwide basis and are excluded from UCLA's financial statements.

Restricted expendable net assets, which totaled $341 million in 2011, up from $317 million in 2010, are subjected to externally imposed restrictions governing their use. These net assets may be spent only in accordance with the restrictions placed upon them and may include support received from gifts, appropriations, capital projects or trustee-held investments. In 2011, the increase in restricted expendable funds is principally related to funding received from the new 2010 revenue bonds for the student housing projects and the Lake Arrowhead Conference Center improvements.

Under generally accepted accounting principles, net assets that are not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of these net assets are designated internally and are allocated for academic and research initiatives or programs, for capital purposes, or for other purposes. As of June 30, 2011, unrestricted net assets totaled $1.9 billion, mainly from self-supporting academic programs ($926 million), reserves for Medical Centers and auxiliary units ($770) and unexpended capital project funding ($96 million).

The Campus' Results of Operations

The statement of revenues, expenses and changes in net assets is a presentation of the campus' operating results for the year. It indicates whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus, including state educational appropriations, private gifts and investment income, are required to be recorded as nonoperating revenues.

Below is a summarized comparison of the operating results for 2011 and 2010, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities:

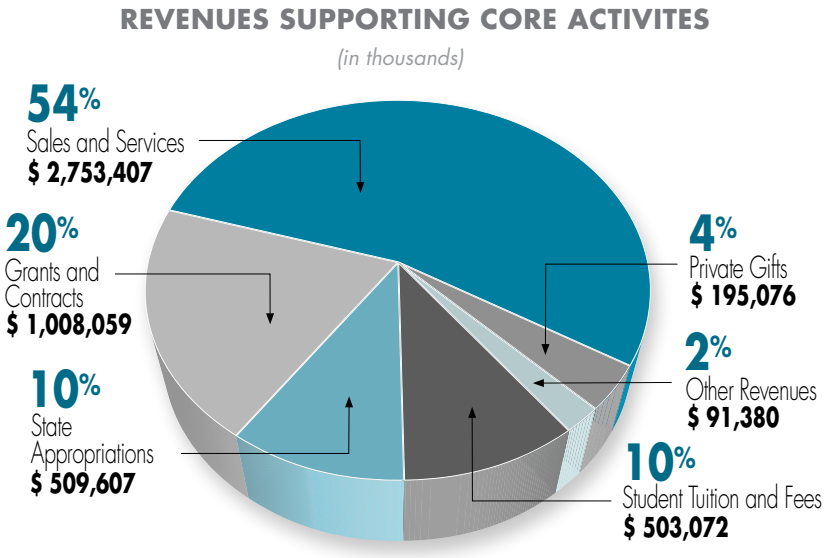
	YEAR ENDED JUNE 30, 2011			YEAR ENDED JUNE 30, 2010			
(dollars in thousands)	Operating	Nonoperating	Total	Operating	Nonoperating	Total	Change
REVENUES							
Student tuition and fees, net	$ 503,072	$ -	$ 503,072	$ 445,373	$ -	$ 445,373	$ 57,699
State appropriations	-	509,607	509,607	-	623,800	623,800	(114,193)
Grants and contracts	950,951	57,108	1,008,059	921,477	48,109	969,586	38,473
Sales and services, net	2,753,407	-	2,753,407	2,502,590	-	2,502,590	250,817
Private gifts	-	195,076	195,076	-	189,790	189,790	5,286
Other revenues, net	54,359	37,021	91,380	52,423	30,432	82,855	8,525
Revenues supporting core activities	4,261,789	798,812	5,060,601	3,921,863	892,131	4,813,994	246,607
EXPENSES							
Salaries and benefits	2,983,361	-	2,983,361	2,781,613	-	2,781,613	201,748
Scholarships and fellowships	56,284	-	56,284	59,422	-	59,422	(3,138)
Utilities	45,662	-	45,662	43,399	-	43,399	2,263
Supplies and materials	479,763	-	479,763	460,137	-	460,137	19,626
Depreciation	270,561	-	270,561	237,387	-	237,387	33,174
Interest expense	-	128,841	128,841	-	89,936	89,936	38,905
Other expenses	727,703	(2,947)	724,756	725,120	1,316	726,436	(1,680)
Expenses associated with core activities	4,563,334	125,894	4,689,228	4,307,078	91,252	4,398,330	290,898
Income (loss) from core activities	(301,545)	672,918	371,373	(385,215)	800,879	415,664	(44,291)
Transfers to (from) core activities	-	106,879	106,879	-	(17,450)	(17,450)	124,329
Net income (loss) from core activities	$ (301,545)	$ 779,797	$ 478,252	$ (385,215)	$ 783,429	$ 398,214	$ 80,038
OTHER NONOPERATING ACTIVITIES							
Gain (loss) on disposal of capital assets, net of proceeds			(21,366)			(2,348)	(19,018)
Income (loss) before other changes in net assets			456,886			395,866	61,020
OTHER CHANGES IN NET ASSETS							
State capital appropriations			17,098			2,025	15,073
Capital gifts and grants			66,979			50,023	16,956
Transfers to (from) capital accounts			112,305			8,622	103,683
Increase in net assets			653,268			456,536	196,732
NET ASSETS							
Beginning of year			5,601,758			5,145,222	456,536
End of year			$6,255,026			$5,601,758	$ 653,268

REVENUES SUPPORTING CORE ACTIVITIES

A major financial strength of UCLA includes a diverse source of revenues, including those from the State of California, student fees, federally sponsored grants and contracts, medical centers, private support and self-supporting enterprises. The variety of fund sources has become increasingly important over the past several years, given the effects of the state's financial crisis that required reductions in both instructional and non-instructional programs. The state is continuing its work to resolve its serious financial situation in which expenditures have continued to exceed revenues.

Revenues to support UCLA's core activities, including those classified as nonoperating revenues, grew from $4.8 billion in 2010 to $5 billion in 2011, an increase of $247 million. State of California educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country. Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Sales and service revenue includes the UCLA Health System, educational activities and auxiliary enterprises such as student housing, food services operations and parking.

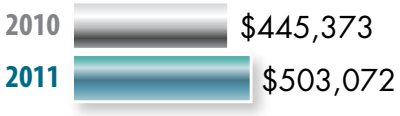
The following chart displays the categories of both operating and nonoperating revenues that support core activities, as of June 30, 2011:



Categories of revenues, as well as activity trends, are described below:

Revenues *(dollars in thousands)*	2011	Percent of Total	2010	Percent of Total	Change	Change Over Prior Year
Student tuition and fees, net	$ 503,072	9.94%	$ 445,373	9.25%	$ 57,699	13.0%
State appropriations	509,607	10.07%	623,800	12.96%	(114,193)	-18.3%
Grants and contracts	1,008,059	19.92%	969,586	20.14%	38,473	4.0%
Sales and services, net	2,753,407	54.41%	2,502,590	51.99%	250,817	10.0%
Private gifts	195,076	3.85%	189,790	3.94%	5,286	2.8%
Other revenues, net	91,380	1.81%	82,855	1.71%	8,525	10.3%
Total	**$ 5,060,601**	**100.00%**	**$ 4,813,994**	**100.00%**	**$ 246,607**	**5.1%**

Student Tuition and Fees revenue, net of scholarship allowances, now accounting for almost 10% of UCLA's revenue, increased $57.7 million or 13% in 2011.



The student population fell 1% on a year-over-year basis, with enrolled students of 39,593 and 39,991 in the Fall of 2010-11 and 2009-10, respectively. Undergraduate and graduate educational fees increased 22% and 17% respectively; in addition, non-resident tuition increased 7%. These fee increases only partially offset dwindling state educational support. Consistent with past practices, approximately one-third of the revenue generated from these fee increases is used for financial aid to mitigate the impact on needy students. This is reflected in the 22% increase in scholarship allowances. Summer Sessions and University Extension increases in revenue, 18% and 7% respectively, were due to various fee increases.

Student Tuition and Fees, net *(dollars in thousands)*	**2011**	**2010**	**Change**	**Change Over Prior Year**
Student tuition and fees	$ 583,454	$ 501,634	$ 81,820	16.3%
Summer Sessions	40,998	34,815	6,183	17.8%
University Extension	71,954	66,983	4,971	7.4%
Scholarship allowance	(193,334)	(158,059)	(35,275)	22.3%
Total	**$ 503,072**	**$ 445,373**	**$ 57,699**	**13.0%**

State Appropriations consists of two components: educational and financing, currently accounting for just 10% of UCLA's revenue.

The erratic year-to-year shift in state educational appropriations characterizes the unpredictability that the state fiscal crisis has caused in state support since 2009. With state resources not available for enrollment growth; faculty and staff increases; and other inflationary cost increases, student fees were raised to offset approximately one quarter of state support shortfall — one-third of the fees go to financial aid.

State financing appropriations are directly related to required rental payments under lease-purchase agreements with the State of California. The majority of these funds were received as payment to the university as a bond holder of State Public Works Board (SPWB) lease revenue bonds series 2002A purchased for the UCLA replacement hospital. For 2011, bond holder payments increased $7 million.

State Appropriations *(dollars in thousands)*	**2011**	**2010**	**2009**	**2008**
State educational appropriations	$ 457,467	$ 519,428	$ 475,476	$ 642,755
Federal pass-through stimulus funds	22,323	81,727	46,347	-
State financing appropriations	29,817	22,645	29,730	29,543
Total	**$ 509,607**	**$ 623,800**	**$ 551,553**	**$ 672,298**

Grants and Contracts revenue — which come from federal, state, private and local sources, and accounts for 20% of UCLA's revenue — increased by $38 million during 2011 to $1 billion.

Grants and Contracts *(dollars in thousands)*	2011	2010	Change	Change Over Prior Year
Federal government	$ 716,702	$ 686,798	$ 29,904	4.4%
State agencies	70,180	61,564	8,616	14.0%
Private industries	182,833	184,062	(1,229)	-0.7%
Local government	38,344	37,162	1,182	3.2%
Total	**$ 1,008,059**	**$ 969,586**	**$ 38,473**	**4.0%**

The majority of the increase, $21 million, was attributed to research activity for American Recovery and Reinvestment Act of 2009 (ARRA) funded grants from federal agencies such as the Department of Health and Human Services and National Science Foundation. The last of these grants will expire in 2014. Federal grant and contract revenue — including facilities and administration cost recovery of $153 million and $149 million in 2011 and 2010, respectively — increased $30 million from 2010. This revenue represents support from a variety of agencies, including the following:

(dollars in millions)	2011	2010
Department of Health and Human Services	$ 422	$ 434
National Science Foundation	73	75
Department of Education	68	67
Department of Energy	25	21
Department of Navy	20	21
National Aeronautics and Space Administration	16	15
Department of Defense	13	11
Department of Army	12	15
Other federal agencies	68	28
Federal grants and contracts net revenue	**$ 717**	**$ 687**

Sales and Services revenue represents revenue from UCLA Health Systems, educational activities and auxiliary enterprises, net of scholarship allowance.

This revenue increased to $2.7 billion in 2011 from $2.5 billion in 2010, a total increase of $251 million or 10%. Of this increase, 61% (or $155 million) was derived from the UCLA Health System. Revenue grew primarily due to a combination of contract rate increases and Medi-Cal funding from the Delivery System Reform Incentive Pool and Medi-Cal Provider Tax. Sales from educational activities increased 14% (or $92 million) primarily within managed care compensation plans due to billing rate and volume increases for patient care within the School of Medicine. Sales from auxiliary enterprises — including on-campus student housing, off-campus housing, intercollegiate athletics, ASUCLA and parking services — increased 1% (or $4 million).

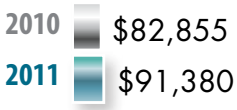
Sales and Services *(dollars in thousands)*	2011	2010	Change	Change Over Prior Year
UCLA Health System	$1,679,483	$1,524,537	$ 154,946	10.2%
Educational activities	769,367	677,478	91,889	13.6%
Auxiliary enterprises, net	304,557	300,575	3,982	1.3%
Total	**$ 2,753,407**	**$ 2,502,590**	**$ 250,817**	**10.0%**

Private Gift revenue, considered nonoperating revenue, either comes directly from the donor or is held by The UCLA Foundation until transferred to the campus for use.

These funds generally are restricted to uses designated by the donor. In 2011, revenues totaled $195 million, representing a $5 million, or 3%, increase from 2010. Approximately 64% of these gifts came through The UCLA Foundation for various campus needs. The largest gift moving through the Foundation and onto the campus, for 2011 and 2010, was for the Pauley Pavilion renovation.

Private Gifts *(dollars in thousands)*	**2011**	**2010**	**Change**	**Change Over Prior Year**
Gifts	$ 69,895	$ 77,519	$ (7,624)	-9.8%
Transfers from The UCLA Foundation	125,181	112,271	12,910	11.5%
Total	**$ 195,076**	**$ 189,790**	**$ 5,286**	**2.8%**

Other Revenues, net of scholarship and other allowances, along with nonoperating revenues, totaled $82.9 million for 2010, an increase of 11%.



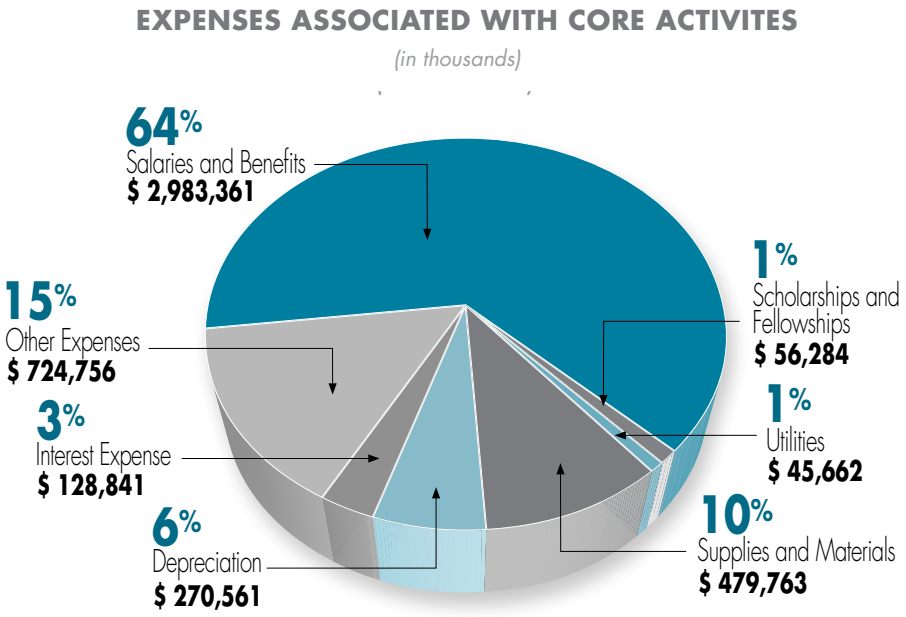
The majority, $54.4 million attributed to operating revenue, comes from a variety of self-supporting units, such as the Arthur Ashe Student Health and Wellness Center; UCLA Live; the Department of Cultural and Recreational Affairs; and parking fines and forfeitures. The nonoperating revenues increased due primarily to the higher return on investments received this year.

Other Revenues, net *(dollars in thousands)*	**2011**	**2010**	**Change**	**Change Over Prior Year**
Service Enterprises	$ 2,377	$ 2,557	$ (180)	-7.0%
Other self-supporting units	51,982	49,866	2,116	4.2%
Total other operating revenues	54,359	52,423	1,936	3.7%
Other nonoperating revenues	37,021	30,432	6,589	21.7%
Total	**$ 91,380**	**$ 82,855**	**$ 8,525**	**10.3%**

EXPENSES ASSOCIATED WITH CORE ACTIVITIES

UCLA's expenses associated with core activities for 2011, including those classified as nonoperating expenses, totaled $4.7 billion, up $290.9 million from $4.4 billion in 2010. Almost two-thirds of UCLA's core expenses are related to salaries and benefits of academic and administrative staff working on behalf of the University. Other expenses are related to goods and services used for operation of the core activities of the campus, depreciation of capital assets, and scholarship and fellowship payments to students.

The following chart displays the portion of operating and nonoperating expenses related to core activities of the campus, as of June 30, 2011:



Categories of expenses, as well as activity trends, are described below:

Expenses *(dollars in thousands)*	**2011**	**Percent of Total**	**2010**	**Percent of Total**	**Change**	**Change Over Prior Year**
Salaries and benefits	$ 2,983,361	63.62%	$ 2,781,613	63.24%	$ 201,748	7.3%
Scholarships and fellowships	56,284	1.20%	59,422	1.35%	(3,138)	-5.3%
Utilities	45,662	0.97%	43,399	0.99%	2,263	5.2%
Supplies and materials	479,763	10.23%	460,137	10.46%	19,626	4.3%
Depreciation	270,561	5.77%	237,387	5.40%	33,174	14.0%
Interest expense	128,841	2.75%	89,936	2.04%	38,905	43.3%
Other expenses, net	724,756	15.46%	726,436	16.52%	(1,680)	-0.2%
Total	**$ 4,689,228**	**100.00%**	**$ 4,398,330**	**100.00%**	**$ 290,898**	**6.6%**

Salaries and Benefits cover over 40,000 employees filling approximately 30,000 full-time-equivalent positions, a 1% increase over the prior year.

In 2011, salaries and benefits grew by $202 million or 7%. Salaries and wages increased by $91 million or 4%. Of the $91 million, $60 million is attributed to career staff employees' hours being restored to full-time after coming off a mandated furlough, which ended in August 2010. Another $22 million is attributed to health sciences compensation plans designed to pay faculty incentive bonuses and annual renegotiated salaries, both based on increased productivity. Employer contributions to the University retirement plan were reinstated in April 2010, resulting in a $56 million increase based on 12 months of contributions in FY11, compared to three months in the prior year. Retiree health benefits increased by $6.5 million due to a rate increase, and other employee benefits increased $47 million due mainly to health insurance increases.

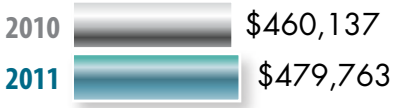
Scholarships and Fellowships, representing payments of financial aid made directly to students and reported as operating expenses, decreased by 5.3%.

Scholarship allowances — representing financial aid fee waivers awarded by the campus (also forms of scholarships and fellowships) and third-party payments to the campus on behalf of students — increased in 2011 by 19.8% to $231.3 million. However, scholarship allowances are reported as an offset to revenue, not as an operating expense. On a combined basis, as the campus continues its commitment to provide financial support for needy students, financial aid in all forms grew to $287.6 million in 2011 from $252.5 million in 2010 or 13.9%.

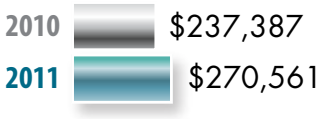
Utilities — consisting of natural gas, electricity, water and sewer, and utilities services — increased to $45.7 million, an increase of 5.2% over 2010.

For 2011, over 83% of utility expenditures can be attributed to natural gas ($20.4 million) and electricity ($17.4 million), remaining relatively even with the prior year.

Supplies and Materials increased by $19.6 million or 4.3%, primarily for medical supplies and inventorial equipment.



Depreciation and Amortization expenses increased $33 million in 2011 or 14% mainly due to building and structures depreciation of $23 million, of which $16.8 million is for accumulated adjustments for the medical centers.



Interest Expense for capital leases and revenue bonds, reported as a nonoperating expense, increased by $38.9 million in 2011 to $128.8 million. This is due mainly to interest on new revenue bonds ($12.8 million) such as Limited Project Revenue Bonds 2010 series F — which has restrictions on how much interest can be capitalized — and UCLA's portion of interest accrued on long-term debt ($9.8 million) for multi-campus bonds, which are held at the Office of the President. Prior to 2011, multi-campus bond interest was accrued at the Office of the President.

Other Expenses Associated with Core Activities remained relatively unchanged from the prior year. This includes travel, rent, insurance, repairs and maintenance, and other nonoperating expenses.

OTHER NONOPERATING ACTIVITIES

UCLA's nonoperating activities are non-cash transactions and are therefore not available to be used to support operating expenses. They include the net appreciation or depreciation in the fair value of investments and the gain or loss on the disposal of capital assets. Since the majority of investment activity is recorded at a systemwide level, the appreciation and depreciation of the fair market value of investments is not significant from year to year.

For 2011 a $21.4 million loss was recorded for disposal of capital assets, primarily for medical center equipment that is no longer being used.

OTHER CHANGES IN NET ASSETS

Similar to the other nonoperating activities discussed above, other changes in net assets are also not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Transfers consist of two groups: those from core activities that support campus operations and transfers specific to capital assets.

UCLA's existing facilities continue to need renewal, modernization and seismic correction, for which funding comes from a variety of sources each year. For 2011, capital appropriations from the state

increased mainly for the Life Science Research and Nursing Education Building at Charles Drew University of Medicine and Science ($10 million) and the Mira Hershey Hall seismic renovation project ($3 million). Gifts and grants for real estate, equipment and library collections increased by $17 million to $67 million in 2011. This includes state grants of $25 million for the Santa Monica/Orthopaedic Replacement Hospital project offset by decreases of $8 million due to substantial completion of various projects.

Transfers to core activities and transfers to capital accounts increased to $219.2 million for 2011. Funding provided for core activities totaled $107 million, and funding for capital projects totaled $112.3 million, both for 2011.

Intercampus transfers totaled $72 million for 2011, a decrease of $241.6 million from 2010. This decrease is due to the indirect cost recovery for facilities and the administrative costs of contracts and grants being retained at the campus beginning 2011. Prior to 2011, indirect cost recovery was received by the Office of the President then transferred to the campus. The $72 million represents transfers of funding between campuses, including the Office of the President, for related projects and short-term investment income.

Unexpended plant fund transfers totaled $129 million for 2011, an increase of $97 million from 2010. The increase is attributed to transfers from the Office of the President ($97 million) as the campus borrowed funds mainly for the student housing project, with a combined total of $76.3 million.

Retirement of indebtedness totaled $17 million for 2011; this includes principal payments ($52.5 million) transferred to the Office of the President for debt service related to financing and amortization schedules, less transfers from the Office of the President ($35.4 million), mainly to provide the campus with funding for the General Revenue Bond debt service payment.

THE CAMPUS' CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash. UCLA's cash, primarily held in demand deposit accounts, is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis.

A summary comparison of cash flows for 2011 and 2010 is as follows:

Cash Flow *(dollars in thousands)*	**2011**	**2010**	**Change**
Cash received from operations	$ 4,322,994	$ 3,857,216	$ 465,778
Cash payments for operations	(4,294,503)	(4,163,607)	(130,896)
Net cash used by operating activities	**28,491**	**(306,391)**	**334,882**
Net cash provided by noncapital financing activities	787,109	903,767	(116,658)
Net cash used by capital and related financing activities	(436,175)	(137,929)	(298,246)
Net cash provided by investing activities	36,877	30,089	6,788
Net (decrease) increase in cash	**416,302**	**489,536**	**(73,234)**
Cash, beginning of year	2,066,995	1,577,459	489,536
Cash, end of year	**$ 2,483,297**	**$ 2,066,995**	**$ 416,302**

UCLA's cash in demand deposit accounts increased by $416 million, from $2.1 billion in 2010 to $2.5 billion in 2011. A major component of this increase was the Medical Centers, with a cash increase of $192 million.

Photograph © 2003 by Alan Nyiri.

View of the campus facing east with Downtown Los Angeles on the horizon.

UCLA

Transmittal Letter

The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2011.

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by the firm PricewaterhouseCoopers, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB). Several integral components of UCLA's financial health are recorded only on the University of California records such as endowments given in the Regents' name, long-term investments, long-term debt and UCLA's portion of the UC Retirement Plan liability.

In compliance with GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, the financial activity of the legally separate, tax-exempt UCLA Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundation."

Respectfully submitted,

Allison Baird-James
Associate Vice Chancellor/Controller
Corporate Financial Services

UNIVERSITY OF CALIFORNIA, *LOS ANGELES*
STATEMENT OF NET ASSETS

At June 30, 2011 and 2010 ***(dollars in thousands)***

	CAMPUS		FOUNDATION	
	2011	**2010**	**2011**	**2010**
ASSETS				
Current assets				
Cash	$ 37,484	$ 32,675	$ 1,469	$ 633
Short-term investments	2,445,813	2,034,320	160,369	142,724
Investment of cash collateral	-	-	22,803	21,336
Investments held by trustees	153	150		-
Accounts receivable, net	593,518	599,049	16,930	3,636
Pledges receivable, net	8,964	8,168	39,234	59,777
Current portion of notes and mortgages receivable, net	6,686	6,764	-	9
Inventories	40,360	41,496	-	-
Other current assets	42,957	42,570	-	8
Total current assets	**3,175,935**	**2,765,192**	**240,805**	**228,123**
Noncurrent assets				
Investments	-	-	1,549,627	1,135,328
Investments held by trustees	12	5,665		-
Pledges receivable	9,199	10,120	182,423	144,769
Notes and mortgages receivable, net	72,630	72,484	-	501
Land, buildings, equipment, libraries and collections, net	4,873,362	4,645,628	24,516	22,455
Other noncurrent assets	54,272	69,347	25,349	24,038
Total noncurrent assets	**5,009,475**	**4,803,244**	**1,781,915**	**1,327,091**
Total assets	**$ 8,185,410**	**$ 7,568,436**	**$ 2,022,720**	**$ 1,555,214**
LIABILITIES				
Current liabilities				
Accounts payable	$ 280,168	$ 317,892	$ 2,191	$ 1,282
Accrued salaries and benefits	228,055	200,230	-	-
Deferred revenue	241,407	228,156	-	-
Current portion of long-term debt	24,746	20,993	22,803	21,336
Funds held for others	-	-	186,741	166,682
Other current liabilities	117,377	108,288	5,407	5,407
Total current liabilities	**891,753**	**875,559**	**217,142**	**194,707**
Noncurrent liabilities				
Federal refundable loans	56,670	56,170	-	-
Obligations under life income agreements	-	-	35,550	37,932
Long-term debt	832,254	855,502	-	-
Other noncurrent liabilities	149,707	179,447	-	-
Total noncurrent liabilities	**1,038,631**	**1,091,119**	**35,550**	**37,932**
Total liabilities	**$ 1,930,384**	**$ 1,966,678**	**$ 252,692**	**$ 232,639**
NET ASSETS				
Invested in capital assets, net of related debt	**$ 4,016,362**	**$ 3,769,133**	**$ -**	**$ -**
Restricted:				
Nonexpendable:				
Endowments	-	-	669,808	556,239
Annuity and life income funds	-	-	18,116	13,390
Expendable:				
Endowments	-	-	154,013	115,851
Annuity and life income funds	-	-	14,279	11,781
Funds functioning as endowment	-	-	461,689	413,720
Grants and contracts	-	-	-	-
Gifts	196,577	186,455	256,396	207,979
Loans	38,884	41,926	-	-
Capital projects	18,723	(5,897)	-	-
Debt service	14,875	20,940	-	-
Appropriations	4,130	3,603	-	-
Other	67,977	70,391	-	-
Total restricted	**341,166**	**317,418**	**1,574,301**	**1,318,960**
Unrestricted	**1,897,498**	**1,515,207**	**195,727**	**3,615**
Total net assets	**$ 6,255,026**	**$ 5,601,758**	**$ 1,770,028**	**$ 1,322,575**

UNIVERSITY OF CALIFORNIA, *LOS ANGELES*
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

At June 30, 2011 and 2010 ***(dollars in thousands)***

	CAMPUS		FOUNDATION	
	2011	**2010**	**2011**	**2010**
OPERATING REVENUES				
Student tuition and fees, net	$ 503,072	$ 445,373	$ -	$ -
Grants and contracts:				
Federal	659,594	638,689	-	-
State	70,180	61,564	-	-
Private	182,833	184,062	-	-
Local	38,344	37,162	-	-
Sales and services:				
Medical centers	1,679,483	1,524,537	-	-
Educational activities	769,367	677,478	-	-
Auxiliary enterprises, net	304,557	300,575	-	-
Private gifts	-	-	351,611	144,135
Other operating revenues, net	54,359	52,423	-	-
Total operating revenues	**4,261,789**	**3,921,863**	**351,611**	**144,135**
OPERATING EXPENSES				
Salaries and wages	2,369,612	2,278,595	-	-
Benefits	613,749	503,018	-	-
Scholarships and fellowships	56,284	59,422	-	-
Utilities	45,662	43,399	-	-
Supplies and materials	479,763	460,137	-	-
Depreciation	270,561	237,387	-	-
Campus foundation grants	-	-	151,345	136,497
Other operating expenses	727,703	725,120	970	795
Total operating expenses	**4,563,334**	**4,307,078**	**152,315**	**137,292**
Operating loss	**(301,545)**	**(385,215)**	**199,296**	**6,843**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	479,790	601,155	-	-
State financing appropriations	29,817	22,645	-	-
Build America Bonds federal interest subsidies	10,313	3,760	-	-
Federal Pell Grants	46,795	44,349	-	-
Private gifts	195,076	189,790	-	-
Investment income	-	-	57,484	25,639
Other	37,021	30,432	-	-
Increase (Decrease) in fair value of investments	-	-	114,366	77,365
Interest expense	(128,841)	(89,936)	-	-
Gain (loss) on disposal of capital assets, net	(21,366)	(2,348)	-	-
Other nonoperating revenues (expenses)	2,947	(1,316)	(708)	(5,491)
Net nonoperating revenues (expenses)	**651,552**	**798,531**	**171,142**	**97,513**
Income (loss) before other changes in net assets	**350,007**	**413,316**	**370,438**	**104,356**
OTHER CHANGES IN NET ASSETS				
State capital appropriations	17,098	2,025	-	-
Capital gifts and grants	66,979	50,023	-	-
Permanent endowments	-	-	77,015	53,353
Transfers	219,184	(8,828)	-	-
Increase in net assets	**653,268**	**456,536**	**447,453**	**157,709**
NET ASSETS				
Net assets, beginning of year	5,601,758	5,145,222	1,322,575	1,164,866
Cumulative effect of a change in accounting principle	-	-	-	-
Net assets, end of year	**$ 6,255,026**	**$ 5,601,758**	**$ 1,770,028**	**$ 1,322,575**

UNIVERSITY OF CALIFORNIA, *LOS ANGELES*

TRANSFERS

At June 30, 2011 and 2010 ***(dollars in thousands)***

	CAMPUS	
	2011	**2010**
Current (to)/from retirement of indebtedness	$ (181)	$ (209)
Current:		
Intrafund	-	-
Intercampus	72,145	313,712
Interfund	34,301	(151,321)
Net revenue of bonds and other indebtedness programs	-	-
Indirect cost recovery	-	(308)
Net adjustments	-	-
Unexpended plant	129,078	32,090
Retirement of indebtedness	(16,681)	(25,638)
Investment in plant:		
Intrafund transfer assets	(162)	2,587
Intrafund transfer depreciation	70	(417)
Renewals and replacements	-	-
Loan	614	632
Indirect cost recovery	-	(179,956)
Total transfers	**$ 219,184**	**$ (8,828)**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA, *LOS ANGELES*

STATEMENT OF CASH FLOWS

At June 30, 2011 and 2010 *(dollars in thousands)*	CAMPUS		FOUNDATION	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees, net	$ 502,847	$ 436,883	$ -	$ -
Grants and contracts	967,166	890,912	-	-
Receipts from sales and services of:				
Medical centers	1,690,621	1,509,923	-	-
Educational activities	761,648	671,941	-	-
Auxiliary enterprises, net	304,940	303,381	-	-
Collection of loans from students and employees	10,265	10,681	-	-
Private gifts	-	-	263,669	108,422
Payments to employees	(2,368,350)	(2,240,070)	-	-
Payments to UCRP	(71,106)	(9,663)	-	-
Payments for retiree health benefits	(59,213)	(52,554)	-	-
Payments for other employee benefits	(475,139)	(434,938)	-	-
Payments to suppliers and utilities	(1,254,055)	(1,258,446)	-	-
Payments for scholarships and fellowships	(56,284)	(59,422)	-	-
Loans issued to students and employees	(10,356)	(15,063)	-	-
Operating expenses and grants	-	-	(151,250)	(137,941)
Other receipts (payments)	38,952	33,495	(3,635)	(4,051)
Transfers	46,555	(93,451)	-	-
Net cash used by operating activities	**28,491**	**(306,391)**	**108,784**	**(33,570)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	479,790	601,155	-	-
Federal Pell Grant	46,795	44,349	-	-
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	-	-	59,611	43,097
Other private gifts	195,156	187,887	-	-
Other receipts (payments)	4,863	(5,834)	-	-
Transfers	60,505	76,210	-	-
Net cash provided by noncapital financing activities	**787,109**	**903,767**	**59,611**	**43,097**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State capital appropriations	10,199	8,837	-	-
State financing appropriations	13,767	8,877	-	-
Build America Bonds federal interest subsidies	9,029	3,760	-	-
Capital gifts and grants	32,455	25,148	-	-
Proceeds from debt issuance	31,447	183,193	-	-
Proceeds from the sale of capital assets	1,225	-	-	-
Purchases of capital assets	(478,918)	(216,610)	-	-
Refinancing/prepayment of outstanding debt	(18,615)	(10,283)	-	-
Principal paid on debt and capital leases	(14,974)	(14,375)	-	-
Interest paid on debt and capital leases	(133,914)	(134,890)	-	-
Transfers	112,124	8,414	-	-
Net cash used by capital and related financing activities	**(436,175)**	**(137,929)**	**-**	**-**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments:				
Other investments	-	-	298,005	127,022
Purchase of investments:				
Other investments	-	-	(496,348)	(168,006)
Investment income, net of investment expenses	36,992	30,380	30,784	30,311
Intercampus transfers	(115)	(291)	-	-
Net cash provided (used) by investing activities	**36,877**	**30,089**	**(167,559)**	**(10,673)**
Net increase (decrease) in cash and cash equivalent	**416,302**	**489,536**	**836**	**(1,146)**
Cash, beginning of year	2,066,995	1,577,459	633	1,779
Cash, end of year	**$ 2,483,297**	**$ 2,066,995**	**$ 1,469**	**$ 633**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA, *LOS ANGELES*

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2011 and 2010

ORGANIZATION/FINANCIAL REPORTING ENTITY

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) is appointed by the Governor and approved by the State Senate. Various University programs and capital-outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's general purpose financial statements as a component unit. Additionally, the University's financial statements — which include 10 campuses, five medical centers, a statewide agricultural extension program, along with a number of other fiduciary responsibilities — are subjected to an independent annual audit.

The Los Angeles campus of the University of California (UCLA) was founded in 1919 and is financially the largest campus in the 10-campus University of California system. The financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The University of California system is subjected to an annual audit of the consolidated financial statements, of which UCLA is a part. The financial statements for the Los Angeles campus have not been individually audited and do not include intermediate-term investments, investments, certain debt, UCLA's portion of the UC Retiree Health Benefit Trust or the UC Retirement Plan financial records, self-insured program liabilities or restricted nonexpended net assets, which are included in the University's financial statements.

The Associated Students of UCLA (ASUCLA)'s financial data for the fiscal year ended June 30, 2011 and 2010 have been included in the financial statements in order to reflect total financial activity of the UCLA campus. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of Understanding of ASUCLA's Relationship with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The financial activities of the separately incorporated Foundation are not reflected within the campus' records until such time as gifts are transferred from the Foundation to the campus. However, in accordance with the statements of the Governmental Accounting Standards Board (GASB) detailed below, Foundation activity is disclosed on the UCLA financial statements in a separate column.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the UCLA campus have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The University follows accounting principles issued by the Government Accounting Standards Board (GASB).

The significant accounting policies of UCLA are summarized as follows:

Cash. UCLA considers all balances in demand deposit accounts to be cash. All other highly liquid cash equivalents are considered to be short-term investments.

Short-term investments. UCLA participates in a temporary investment pool that is administered by the Office of the President. Income earned on investments is distributed based on average investments in the pool. This pool invests primarily in U.S. Treasury securities, commercial paper and short-term corporate notes with cost approximating market value. These temporary investments are considered cash equivalents for the purposes of the statement of cash flows.

Intermediate-term investments. UCLA also participates in the University's Total Return Investment Pool (TRIP) administered by the Office of the President. The investments are maintained for an intermediate term, i.e., a minimum of three years. These investments are recorded only on the University books and not on UCLA's financial statements. Investments authorized by the Regents for TRIP include a diversified portfolio of equity and fixed income securities. These investments are recorded at fair value. Dividend and interest income, net of administrative fees, is recorded on UCLA's books as it is distributed from the Office of the President. Upon the sale of UCLA's shares in TRIP, realized gains or losses are recorded on UCLA's books.

Investments. Investments for endowment monies and other similar funds are primarily administered centrally by the Office of the President and are not reflected on the UCLA local financial statements. These funds consist of endowments, funds functioning as endowment, and annuity and life income funds. Endowments require that the principal be invested in perpetuity, with the income used in accordance with the terms specified by the donor. Funds functioning as endowments are primarily gifts and related gains that the University treats as endowments, with the exception that any portion of these funds may be expended at the University's discretion. Annuity and life income funds are held in trust by the University with the annuity or income paid periodically to designated beneficiaries; principal of these funds vests with the University, and payments cease upon the death of the beneficiaries.

Monies are invested by the treasurer of The Regents, and the income is transferred to individual campuses annually. A substantial portion of the net assets of the endowment and similar funds participate in a general endowment pool. Investments include equities, high-yield equities, bonds and real estate.

Derivative financial instruments. The University has entered into interest rate swap agreements to limit the exposure of its variable rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The difference to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

Interest rate swaps are recorded at fair value as either assets or liabilities in the statement of net assets. The University has determined that the market interest rate swaps are hedging derivatives that hedge future cash flows. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values). Deferred inflows are included with other liabilities and deferred outflows with other assets in the statement of net assets.

Accounts receivable, net. Accounts receivable, net of allowance for uncollectible amounts, includes reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts, educational activities and amounts due from students, employees and faculty for services.

Pledges receivable, net. Unconditional pledges of private gifts to the campus to be received in the future, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional pledges, including pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met.

Notes and mortgages receivable, net. Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are provided from the University's Short-Term Investment Pool and from other campus sources. Mortgage loans provided by the Short-Term Investment Pool are classified as investments, and loans provided by other sources are classified as mortgages receivable in the statement of net assets.

Inventories. Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined using the weighted average method, which is not in excess of net realizable value.

Capital assets. Land, infrastructure, buildings and improvements, intangible assets, equipment, library collections and special collections are recorded at cost at the date of acquisition, or estimated fair value at the date of donation in the case of gifts. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents and other similar arrangements. Capital leases are recorded at the present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. All costs of land, library collections, and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

Infrastructure	25 years
Buildings and improvements	15–33 years
Equipment	2–20 years
Computer software	3–7 years
Intangible assets	2–10 years
Library books and materials	15 years

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets — such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections — are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

Deferred revenue. Deferred revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees, and fees for housing and dining services.

Federal refundable loans. Certain loans to students are administered by the campus with funding primarily supported by the federal government. The campus' statement of net assets includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Obligations under life income agreements. Obligations under life income agreements represent actuarially determined liabilities under gift annuity and life income contracts.

Pollution remediation obligations. Upon an obligating event, the campus estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability.

Net assets. Net assets are classified for accounting and reporting purposes into the following categories:

> ***Invested in capital assets, net of related debt***. This category includes all of the campus' capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.
>
> ***Restricted***. The campus classifies net assets resulting from transactions with purpose restrictions as restricted net assets until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.
>
> > ***Nonexpendable***. Net assets subject to externally imposed restrictions, which must be retained in perpetuity by the University, are classified as nonexpendable net assets. Such assets include the University's permanent endowment funds. Because the Office of the President administers these funds, UCLA's local financial statements do not reflect balances for nonexpendable assets.
> >
> > ***Expendable***. Net assets whose use by the campus is subject to externally imposed restrictions that can be fulfilled by actions of the campus pursuant to those restrictions or that expire by the passage of time are classified as expendable net assets.
>
> ***Unrestricted***. Net assets that are neither restricted nor invested in capital assets, net of related debt, are classified as unrestricted net assets. Unrestricted net assets may be designated for specific purposes by management or The Regents. Substantially all unrestricted net assets are allocated for academic and research initiatives or programs, or for capital programs.

Expenses are charged to either restricted or unrestricted net assets based upon a variety of factors, including consideration of prior and future revenue sources, the type of expense incurred, the campus budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost.

Revenues and expenses. Operating revenues of UCLA include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the UCLA campus and medical centers are presented in the statement of revenues, expenses and changes in net assets as operating activities.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus are mandated by the GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since the GASB does not consider them to be related to the principal operating activities of the University.

The Foundation was established to financially support the University. Private gifts to the Foundation are recognized as operating revenues on the Foundation's statements since, in contrast to UCLA, such contributions are fundamental to the core mission of the Foundation. When the gift is transferred from the Foundation to the campus, the campus records the revenue as nonoperating revenue.

Nonoperating revenues and expenses include state educational appropriations (for the support of UCLA operating expenses), state financing appropriations, Build America Bonds federal interest subsidies, federal Pell Grants, private gifts for other than capital purposes, investment income, net unrealized appreciation or depreciation in the fair value of investments, interest expense, and gain or loss on the disposal of capital assets.

State capital appropriations and capital gifts and grants are classified as other changes in net assets.
Student tuition and fees. Substantially all of the student tuition and fees provide for current operations of the campus. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers. Certain waivers of student tuition and fees considered to be scholarship allowances are recorded as an offset to revenue.

State appropriations. The State of California provides appropriations to the University, which are allocated to the campuses on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses are incurred to support either educational operations or other specific operating purposes. State financing appropriations provide for principal and interest payments associated with lease-purchase agreements with the State Public Works Board and are also reported as nonoperating revenue. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenditures are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant operating revenue.

Grant and contract revenue. UCLA receives grant and contract revenue from governmental and private sources. The campus recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred or, in the case of fixed-price contracts, when the contract terms are met or completed.

Government grants and contracts also generally provide for reimbursement of facilities and administrative costs. Recovery of facilities and administrative costs for the years ended June 30, 2011 and 2010 was $192.2 million and $183.2, respectively, and is a component of grants and contracts revenue. Federally sponsored programs are reimbursed at rates negotiated with the University's federal cognizant agency, the U.S. Department of Health and Human Services, and accounts for 80% of the reimbursements. Federal reimbursement for 2011 and 2010 totaled $153.1 million and $148.6 million, respectively.

Medical center revenue. Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payers, including Medicare, Medi-Cal and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payers. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change by a material amount based upon settlement or as additional information becomes available.

Scholarship allowances. The campus recognizes certain scholarship allowances, including both financial aid and fee waivers, as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student or by third parties made on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances in the following amounts are recorded as an offset to revenues for the years ended June 30, 2011 and 2010:

(dollars in thousands) **Scholarship Allowance**	**2011**	**2010**
Student tuition and fees	$ 193,334	$ 158,059
Sales and services of auxiliary enterprises	37,960	35,044
Total	$ 231,294	$ 193,103

Retiree health benefits expense. The University established the University of California Retiree Health Benefit Trust (UCRHBT) to allow certain University locations and affiliates, including UCLA, to share the risks, rewards and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serves as Trustee of UCRHBT and has the authority to amend or terminate the Trust.

The UCRHBT provides retiree health benefits to retired employees of the campus. Contributions from the campus to the UCRHBT are made to a cost-sharing single-employer health plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRHBT. As a result, the campus' required contributions are recognized as an expense in the statement of revenues, expenses and changes in net assets. The financial records of the UCRHBT are reported within the University's Annual Financial Report.

UCRP benefits expense. The University of California Retirement Plan (UCRP) provides retirement benefits to retired employees of UCLA. Contributions from the campus to the UCRP are made to a cost-sharing single-employer-defined benefit pension plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRP. As a result, the campus' required contributions, if any, are recognized as an expense in the statement of revenues, expenses and changes in net assets. The financial records of the UCRP are reported within the University's Annual Financial Report.

Compensated absences. UCLA accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of University programs.

Tax exemption. The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). Because the University is a state institution, related income received by the University is also exempt from federal tax under IRC Section 115(a). In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. The Foundation and ASUCLA are exempt under Section 501(c)(3).

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made, and actual amounts could differ from those estimates.

Comparative information. 2010 financial information is included as comparative values to the 2011 presentation. No significant changes were recorded for 2010.

1. CASH AND SHORT-TERM INVESTMENTS

The University maintains centralized management for substantially all of its cash. Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis. At June 30, 2011 and 2010, the carrying amount of UCLA's equity in the Treasurer's investment, transferred to the Treasurer's Office as part of the University's investment, was $2.4 billion and $2 billion, respectively, compared with bank balances of $37.5 million and $32.7 million, respectively. The timing of deposits in transit, varying from year to year, is the primary difference.

2. INVESTMENTS HELD BY TRUSTEES

UCLA has entered into agreements with trustees to maintain trusts for long-term debt requirements. All investments held by trustees are insured, registered or held by the campus' trustee or custodial bank, as fiduciary for the bondholder or as agent for the University.

The trust agreements for long-term debt permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements.

Noncurrent investments held by trustees are for the future payment of principal and interest in accordance with various indenture and other long-term debt requirements. The fair value of these investments was $12,000 at June 30, 2011 and $5.7 million at June 30, 2010. The decrease was due to the State rescinding the unspent 2010 balance of State Public Works revenue bonds.

UCLA's deposits to the trust are classified as a capital and related financing activity in the statement of cash flows as it is related to long-term debt requirements. Investment transactions initiated by trustees in conjunction with the management of the trust assets and payments from the trust to third parties are not included in the campus' statement of cash flows.

3. ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for uncollectible amounts at June 30, 2011 and 2010, are as follows:

(dollars in thousands)	STATE & FEDERAL GOVERNMENT	MEDICAL CENTERS	OTHER	TOTAL
At June 30, 2011				
Accounts receivable	$ 126,102	$ 358,502	$ 199,990	$ 684,594
Allowance for uncollectible amounts	(368)	(79,174)	(11,534)	(91,076)
Accounts receivable, net	$ 125,734	$ 279,328	$ 188,456	$ 593,518
At June 30, 2010				
Accounts receivable	$ 120,795	$ 383,989	$ 197,753	$ 702,537
Allowance for uncollectible amounts	(125)	(93,523)	(9,840)	(103,488)
Accounts receivable, net	$ 120,670	$ 290,466	$ 187,913	$ 599,049

Other accounts receivable are primarily related to private grants and contracts, physicians' professional fees, investment sales, tuition and fees, and auxiliary enterprises.

4. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2011 and 2010 is summarized as follows:

(dollars in thousands)	2011	2010
Total pledges receivable, outstanding	$ 19,530	$ 19,852
Less: Unamortized discount to present value	(691)	(482)
Allowance for uncollectible pledges	(676)	(1,082)
Total pledges receivable, net	18,163	18,288
Less: Current portion of pledges receivable	(8,964)	(8,168)
Noncurrent portion of pledges receivable	$ 9,199	$ 10,120

5. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2011 and 2010, along with allowances for uncollectible amounts, are as follows:

(dollars in thousands)	CURRENT	NONCURRENT NOTES	NONCURRENT MORTGAGES	TOTAL
At June 30, 2011				
Notes and mortgages receivable	$ 7,136	$ 60,772	$ 13,703	$ 81,611
Allowance for uncollectible amounts	(450)	(1,725)	(120)	(2,295)
Notes and mortgages receivable, net	$ 6,686	$ 59,047	$ 13,583	$ 79,316
At June 30, 2010				
Notes and mortgages receivable	$ 7,226	$ 60,171	$ 14,243	$ 81,640
Allowance for uncollectible amounts	(462)	(1,810)	(120)	(2,392)
Notes and mortgages receivable, net	$ 6,764	$ 58,361	$ 14,123	$ 79,248

6. CAPITAL ASSETS, NET

The campus' capital asset activity for the years ended June 30, 2011 and 2010, is as follows:

(dollars in thousands)	2009	ADDITIONS	DISPOSALS	2010	ADDITIONS	DISPOSALS	2011
ORIGINAL COST							
Land	$ 87,295	$ 2,393	$ -	$ 89,688	$ 2,000	$ (1,149)	$ 90,539
Infrastructure	7,979	-	-	7,979	(744)	-	7,235
Buildings and improvements	4,817,804	294,165	(530)	5,111,439	112,117	(3,509)	5,220,047
Equipment	984,010	89,532	(77,830)	995,712	66,984	(53,887)	1,008,809
Intangible assets	23,551	5,433	(5,680)	23,304	28,789	-	52,093
Libraries and collections	551,231	34,568	(1,847)	583,952	26,325	(6,029)	604,248
Special collections	75,019	3,607	-	78,626	2,218	(46)	80,798
Construction in progress	631,081	(159,847)	-	471,234	283,102	-	754,336
Capital assets, at original cost	$ 7,177,970	$ 269,851	$ (85,887)	$ 7,361,934	$ 520,791	$ (64,620)	$ 7,818,105

(dollars in thousands)	2009	DEPRECIATION EXPENSE	DISPOSALS	2010	DEPRECIATION EXPENSE	DISPOSALS	2011
ACCUMULATED DEPRECIATION							
Infrastructure	$ 6,262	$ 145	$ -	$ 6,407	$ 144	$ -	$ 6,551
Buildings and improvements	1,611,130	144,500	1,039	1,756,669	172,483	(3,319)	1,925,833
Equipment	544,980	68,764	(73,084)	540,660	73,033	(35,293)	578,400
Intangible assets	15,891	4,708	(5,680)	14,919	4,470	-	19,389
Libraries and collections	383,777	19,271	(5,397)	397,651	20,430	(3,511)	414,570
Accumulated depreciation and amortization	$ 2,562,040	$ 237,388	$ (83,122)	$ 2,716,306	$ 270,560	$ (42,123)	$ 2,944,743
Capital assets, net	$ 4,615,930			$ 4,645,628			$ 4,873,362

7. DEBT

The University directly finances the construction, renovation and acquisition of facilities and equipment through the issuance of debt obligations. Both commercial paper, which provides for interim financing, and pooled revenue bonds are accounted for on a systemwide basis. Long-term financing reported at the campus level includes campus-specific revenue bonds, certificates of participation, mortgages and other borrowings, and capital-lease obligations.

UCLA's outstanding debt at June 30, 2011 and 2010, is as follows:

(dollars in thousands)	INTEREST RATES	MATURITY YEARS	2011	2010
LONG-TERM FINANCING				
Hospital Revenue Bonds Series 2004 & 2007, net	* 3.00 – 6.583%	2012 – 2049	$ 656,767	$ 657,524
Mortgages and other borrowings	3.250 – 5.33%	2012 – 2020	56,412	58,117
Capital lease obligations - state lease revenue bonds	* 2.7 – 5%	2012 – 2023	121,960	129,215
Capital lease obligations	3.55 – 7.05%	2012 – 2015	21,861	31,639
Total long-term outstanding debt			$ 857,000	$ 876,495

**bond coupon rates are shown*

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense net of investment income during the years ended June 30, 2011 and 2010 was $53 million and $40 million, respectively. Interest expense (net), totaling $8 million and $21 million, was capitalized during the years ended June 30, 2011 and 2010, respectively. The remaining $45 million in 2011 and $19 million in 2010 is reported as interest expense in the statement of revenues, expenses and changes in net assets.

Outstanding Debt Activity

Activity with respect to the campus' current and noncurrent debt for the years ended June 30, 2011 and 2010 is as follows:

(dollars in thousands)	REVENUE BONDS	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASE OBLIGATIONS	TOTAL
Year Ended June 30, 2011				
Current portion at June 30, 2010	$ 1,992	$ 1,705	$ 17,297	$ 20,994
Reclassification from noncurrent	28,339	1,799	16,481	46,619
Refinance or prepay of principal on bank loan	(18,615)	-	-	(18,615)
Principal payments and amortizations	(5,283)	(1,705)	(17,264)	(24,252)
Current portion at June 30, 2011	6,433	1,799	16,514	24,746
Noncurrent portion at June 30, 2010	655,532	56,412	143,557	855,501
New obligations	23,141	-	231	23,372
Reclassification to current	(28,339)	(1,799)	(16,481)	(46,619)
Noncurrent portion at June 30, 2011	650,334	54,613	127,307	832,254
Total	$ 656,767	$ 56,412	$ 143,821	$ 857,000
Year Ended June 30, 2010				
Current portion at June 30, 2009	$ 2,334	$ 1,148	$ 16,824	$ 20,306
Reclassification from noncurrent	1,525	12,455	-	13,980
Refinance or prepay of principal on bank loan	-	(10,283)	17,985	7,702
Principal payments and amortizations	(1,867)	(1,615)	(17,512)	(20,994)
Current portion at June 30, 2010	1,992	1,705	17,297	20,994
Noncurrent portion at June 30, 2009	542,099	35,539	151,600	729,238
New obligations	114,958	2,288	9,942	127,188
Reclassification to current	(1,525)	18,585	(17,985)	(925)
Noncurrent portion at June 30, 2010	655,532	56,412	143,557	855,501
Total	$ 657,524	$ 58,117	$ 160,854	$ 876,495

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center and research facilities of the University. They generally have annual principal and semiannual interest payments, serial and term maturities, contain sinking fund requirements and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue bond indentures require the University to use the facilities in a way which will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes.

General Revenue Bonds are collateralized solely by General Revenues, as defined in the Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond indenture requires the University to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other financial covenants.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The indenture requires the University to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other financial covenants.

Multiple Purpose Projects Revenue Bonds are collateralized by a pledge of the net revenues generated by the enterprises. The Multiple Purpose Projects Revenue Bond indentures require the University to achieve net revenues after expenses and requirements for senior lien indentures equal to 1.25 times debt service and maintain certain other financial covenants.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledge of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond indenture requires the medical centers to set rates, charges and fees each year sufficient for the medical center gross revenues to pay for the annual principal and interest on the bonds and certain other financial covenants.

Medical Center Revenue Bonds have also financed certain facilities of the University's five medical centers and are collateralized by a pledge of the specific gross revenues associated with each medical center. The Medical Center Revenue Bond indentures require each medical center to achieve debt service coverage of 1.1 times to 1.2 times (depending on the indenture); set limitations on encumbrances, indebtedness, disposition of assets and transfer services; and maintain certain other financial covenants.

Mortgages and Other Borrowings

Mortgages and other borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities. The mortgages are collateralized by real property.

As part of the University, UCLA may use uncollateralized bank lines of credit with commercial banks to supplement commercial paper to provide interim financing for buildings and equipment. There were no outstanding borrowings under line-of-credit commitments at June 30, 2011 and 2010, respectively.

Capital Leases

Capital leases entered into with other lessors totaled $143.8 million and $160.9 million in 2011 and 2010, respectively. The majority of that amount, $121 million, is attributed to State Lease Revenue Bonds issued to finance the UCLA replacement hospitals in Santa Monica and Westwood; the bonds mature in 2023.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to June 30, 2011, and thereafter are as follows:

(dollars in thousands) Year Ending June 30	REVENUE BONDS	CERTIFICATES OF PARTICIPATION	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASES STATE	CAPITAL LEASES OTHER	TOTAL PAYMENTS	PRINCIPAL	INTEREST
2012	$ 38,371	$ -	$ 2,391	$ 13,733	$ 9,663	$ 64,158	$ 24,896	$ 39,262
2013	38,747	-	15,529	13,754	7,438	75,468	37,281	38,187
2014	38,757	-	1,941	13,704	4,623	59,025	22,388	36,637
2015	38,757	-	1,941	13,690	1,475	55,863	20,294	35,569
2016	38,748	-	1,941	13,674	31	54,394	19,825	34,569
2017–2021	197,482	-	6,639	68,166	-	272,287	116,329	155,958
2022–2026	195,495	-	-	27,200	-	222,695	95,190	127,505
2027–2031	191,775	-	-	-	-	191,775	82,720	109,055
2032–2036	191,704	-	-	-	-	191,704	103,575	88,129
2037–2041	191,518	-	-	-	-	191,518	129,260	62,258
2042–2046	191,228	-	-	-	-	191,228	161,125	30,103
2047–2050	36,779	-	-	-	-	36,779	34,246	2,533
Total future debt service	1,389,361	-	30,382	163,921	23,230	1,606,894	$ 847,129	$ 759,765
Less interest component of future payments	712,386	-	4,049	41,961	1,369	759,765		
Principal portion of future payments	676,975	-	26,333	121,960	21,861	847,129		
Deferred premium & deferred financing, net - Medical Center	9,871	-	-	-	-	9,871		
Derivative instrument - Medical Center pooled revenue bonds	(30,079)	-	30,079	-	-	-		
Total long-term outstanding debt	$ 656,767	$ -	$ 56,412	$ 121,960	$ 21,861	$ 857,000		

Future payments in which UCLA participates, but not included above, are the systemwide state capital leases that are held at the Office of the President. The principal portion totals $141 million, and interest $70.4 million, through 2035.

8. SELF-INSURANCE AND OTHER LIABILITIES

Self-Insurance Programs

The University is self-insured for medical malpractice, workers' compensation, employee healthcare and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded on a systemwide basis when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported. Each campus funds the self-insurance liability through predetermined rates applied to payroll and other expenses. These amounts are reflected as operating expenses in UCLA's Statement of Revenues, Expenses and Changes in Net Assets. UCLA's financial statements do not reflect any liability amounts for self-insurance claims, as these estimated liabilities are recorded on a systemwide basis.

(dollars in thousands) **Self-insurance expense**	**2011**	**2010**
Medical malpractice	$ 15,896	$ 14,511
Workers compensation	33,412	30,490
General liability	6,168	6,151
Total	$ 55,476	$ 51,152

Other Liabilities

UCLA's other liabilities — primarily employee leave and other compensated absences with similar characteristics, accrued interest and other general liabilities such as cash received undistributed, at June 30, 2011 and 2010 — are as follows:

	2011		**2010**	
(dollars in thousands)	**CURRENT**	**NONCURRENT**	**CURRENT**	**NONCURRENT**
Other liabilities				
Compensated absences	$ 61,716	$ 111,322	$ 66,573	$ 124,736
Accrued interest	2,618	-	4,633	-
Pollution remediation	221	426	796	2,047
Other	52,822	37,959	36,286	52,664
Total	$ 117,377	$ 149,707	$ 108,288	$ 179,447

Other Noncurrent Liabilities

Changes in other noncurrent liabilities for the years ended June 30, 2011 and 2010 are as follows:

(dollars in thousands)	COMPENSATED ABSENCES	OTHER	TOTAL
Year Ended June 30, 2011			
Liabilities at June 30, 2010	$ 124,736	$ 54,711	$ 179,447
New obligations	40,456	(16,105)	$ 24,351
Reclassification to current	(53,870)	(221)	$ (54,091)
Liabilities at June 30, 2011	$ 111,322	$ 38,385	$ 149,707
Year Ended June 30, 2010			
Liabilities at June 30, 2009	$ 98,199	$ 2,267	$ 100,466
New obligations	69,457	53,430	$ 122,887
Reclassification to current	(42,920)	(986)	$ (43,906)
Liabilities at June 30, 2010	$ 124,736	$ 54,711	$ 179,447

Payments for compensated absences are generally made from a variety of revenue sources, including state educational appropriations, grants and contracts, auxiliary enterprises and endowment income, or other revenue sources that support the employee's salary.

9. ENDOWMENTS AND FOUNDATION GIFTS

Endowments are administered either by the University or by the campus Foundation. The book value and market value for endowments for the years ended June 30, 2011 and 2010, are as follows:

	2011		2010	
(dollars in thousands)	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
Endowments - regental	$ 596,646	$ 1,326,986	$ 540,027	$ 1,106,634
Endowments - foundation	1,401,288	1,313,426	993,573	924,415
Total	$ 1,997,934	$ 2,640,412	$ 1,533,600	$ 2,031,049

The Regents' Endowments

The endowments held by The Regents are administered on a systemwide basis, and related investments are not reflected on UCLA's separate financial statements. The portion of investment returns earned on endowments held by The Regents and distributed each year to support current operations is based on a rate (stated in dollars per share) that is approved by The Regents. The total distribution from endowments held by The Regents to UCLA was $32.3 million and $38.6 million for the years ended June 30, 2011 and 2010, respectively.

Campus Foundation

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern The UCLA Foundation, its assets are dedicated for the sole benefit of UCLA. During the years ended June 30, 2011 and 2010, gifts of $125 million ($51 million from endowment investments and $74 million from current funds) and $112 million ($49 million from endowment investments and $63 million from current funds), respectively, were transferred to UCLA from The UCLA Foundation.

The financial activity of the separately incorporated Foundation is discretely recorded in UCLA's financial statements under a separate column titled "Foundation."

10. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2011 and 2010, are as follows:

(dollars in thousands)	2011	2010
Instruction	$ 1,240,220	$ 1,143,524
Research	702,469	676,315
Public service	100,161	96,140
Academic support	348,284	319,987
Student services	68,902	68,428
Institutional support	137,720	138,551
Operations and maintenance of plant	78,931	85,722
Student financial aid	59,277	61,864
Medical centers	1,284,846	1,223,432
Auxiliary enterprises	252,277	238,457
Depreciation	270,561	237,387
Other	19,686	17,271
Total	$ 4,563,334	$ 4,307,078

11. RETIREMENT PLANS

Substantially all full-time employees of UCLA participate in the University of California Retirement System (UCRS), which is administered by the University. The UCRS consists of The University of California Retirement Plan (UCRP), a single-employer-defined benefit plan, and the University of California Retirement Savings Program (UCRSP), which includes four defined contribution plans with several investment portfolios generally funded with employee non-elective and elective contributions. The Regents has the authority to establish and amend the benefit plans.

The UCRP provides lifetime retirement income, disability protection and survivor benefits to eligible employees. Benefits are based on the average of the highest three years of compensation; age; and years of service, and are subject to limited cost-of-living increases.

Contributions to the UCRP are currently made by both the campus and UCLA employees. The rates for contributions as a percentage of payroll are determined annually pursuant to The Regents' funding policy and are based on recommendations of the consulting actuary. The Regents determine the portion of the total contribution to be made by the campus and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements.

The actuarial value of UCRP assets ($33.7 billion) and the actuarial accrued liability ($39.1 billion) associated with the University's campuses and medical centers were derived using the entry-age normal-cost method as of July 1, 2010, the date of the latest actuarial valuation, resulting in a funded ratio of 86.2%. The net assets held in trust for pension benefits attributable to the campuses and medical centers included in the UCRP Statement of Plan's Fiduciary Net Assets were $41.9 billion and $34.6 billion at June 30, 2011 and June 30, 2010, respectively.

For the years ended June 30, 2011 and 2010, the University's campuses and medical centers contributed a combined $1.4 billion and $64.8 million, respectively. The University's annual UCRP benefits expense for its campuses and medical centers was $1.7 billion for the year ended June 30, 2011. As a result of contributions that were less than the UCRP benefits expense, the University's obligation for UCRP benefits attributable to its campuses and medical centers increased by $239.2 million for the year ended June 30, 2011.

The UCRSP plans (DC Plan, Supplemental DC Plan, 403(b) Plan and 457(b) Plan) provide savings incentives and additional retirement security for all eligible employees. The DC Plan accepts both pre-tax and after-tax employee contributions. The Supplemental DC Plan accepts employer contributions on behalf of certain qualifying employees. The 403(b) and 457(b) plans accept pre-tax employee contributions, and the campus may also make contributions on behalf of certain members of management. Benefits from the plans are based on participants' mandatory and voluntary contributions, plus earnings, and are immediately vested.

Information related to plan assets and liabilities, as they relate to campus employees, is not readily available. Additional information on the retirement plans can be obtained from the 2010-2011 annual reports of the University of California Retirement Plan, the University of California Retirement Savings Plan and the University of California PERS–VERIP.

12. RETIREE HEALTH PLANS

The University administers single-employer health plans to provide health and welfare benefits — primarily medical, dental and vision benefits — to eligible retirees of the University of California and its affiliates. The Regents has the authority to establish and amend the benefit plans.

The contribution requirements of the eligible retirees and the participating University locations, such as UCLA, are established and may be amended by the University. Membership in the UCRP is required to become eligible for retiree health benefits. Contributions toward benefits are shared with the retiree. The University determines the employer's contribution. Retirees are required to pay the difference between the employer's contribution and the full cost of the health insurance. Retirees employed by the campus prior to 1990 are eligible for the maximum employer contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least five years of service. Retirees employed by the campus after 1989 and not rehired after that date are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50% of the maximum employer contribution, increasing to 100% after 20 years of service.

Participating University locations, such as the campus, are required to contribute at a rate assessed each year by the UCRHBT. The contribution requirements are based on projected pay-as-you-go financing requirements. The assessment rates were $3.31 and $3.12 per $100 of UCRP-covered payroll, resulting in campus contributions of $59 million and $52.6 million for the years ended June 30, 2011 and 2010, respectively.

The actuarial value of UCRHBT assets ($74.5 million) and the actuarial accrued liability ($15.5 billion) associated with the University's campuses and medical centers were derived using the entry-age normal-cost method as of July 1, 2010, the date of the latest actuarial valuation. The net assets held in trust for pension benefits on the UCRHBT's Statement of Plan Fiduciary Net Assets were $71.3 million at June 30, 2011. For the years ended June 30, 2011 and 2010, combined contributions from the University's campuses and medical centers were $313.9 million and $283.5 million, respectively, including an implicit subsidy of $54.9 million and $49.5 million, respectively. The University's annual retiree health benefit expense for its campuses and medical centers was $1.8 billion and $1.6 billion for the years ended June 30, 2011 and 2010, respectively. As a result of contributions that were less than the retiree health benefit expense, the University's obligation for retiree health benefits attributable to its campuses and medical centers totaling $5.1 billion at June 30, 2011, increased by $1.4 billion and $1.4 billion for the years ended June 30, 2011 and 2010, respectively.

Information related to plan assets and liabilities as they relate to individual campuses and medical centers is not readily available. Additional information on the retiree health plans can be obtained from the 2010-2011 annual reports of the University of California and the University of California Health and Welfare Program.

13. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $684 million and $885 million at June 30, 2011 and 2010, respectively.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2011 and 2010 were $60.4 million and $57.1 million, respectively. The terms of operating leases extend through March 2023.

Future minimum payments on operating leases with initial or remaining noncancelable terms in excess of one year are as follows:

(dollars in thousands) **Year Ending June 30**	**MINIMUM ANNUAL LEASE PAYMENTS**
2012	$ 40,229
2013	34,547
2014	28,088
2015	22,443
2016	17,004
2017–2021	46,408
2022–2026	3,377
Total	$ 192,096

Contingencies

Substantial amounts are received and expended by UCLA, including the UCLA medical centers, under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. UCLA management believes that any liabilities arising from such audits will not have a material effect on UCLA's separate financial positions.

The University and the campus foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

UNIVERSITY OF CALIFORNIA, *LOS ANGELES*

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